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STATE DEPARTMENT FOR EUR/WE:SHARTMANN

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TAGS: ECON EFIN PGOV PREL PO

SUBJECT: PORTUGAL ECONOMY MINISTER RESIGNS, FINANCE
MINISTER TAKES OVER

Classified By: Gary B. Applegarth, Pol-Econ Officer, Reasons 1.4 (b) and (d).

¶1. (U) Finance Minister Fernando Teixeira dos Santos was sworn in as Portugal's Economy Minister on July 6, replacing Manuel Pinho, who resigned on July 2 after making an insulting gesture toward Communist parliamentary leader Bernandino Soares during the "state of the nation" session in parliament. Pinho made the "goat's horns" gesture in response to Soares' critical remarks about the government's handling of a struggling zinc mine in southern Portugal. Pinho said he regretted the gesture but Prime Minister Socrates accepted his resignation, calling Pinho's behavior "inexcusable."

¶2. (U) Teixeira dos Santos will lead both the Economy and Finance Ministries through the September elections. Teixeira dos Santos is keeping the Economy Ministry's senior leadership intact and is not expected to make significant economic policy changes. In an interview following his nomination for the post Teixeira dos Santos said he would continue to focus on necessary structural changes, renewable energy, improvements in the transportation sector, and support for small business.

¶3. (C) Comment: While serving as Economy Minister Pinho became known for minor oratory gaffes and constant self-promotion, but this nationally-broadcasted gesture was so offensive as to demand serious consequences. Additional government turmoil is one thing this Socialist-led government does not/not need in the runup to the September elections, so it is unlikely that major changes in economic policy will accompany the change in leadership. Minister Pinho's display was an unfortunate lapse that could not be ignored, but his replacement by Teixeira dos Santos will do little to counter opposition parties' claims that the current government leadership is unfit to continue past September. End comment.

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